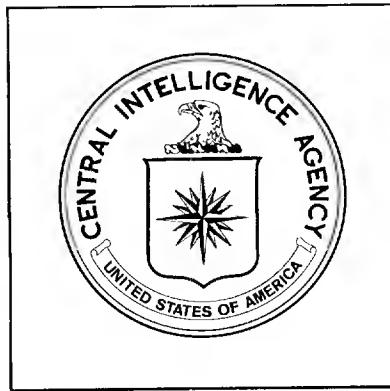


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WESTERN EUROPE – CANADA – INTERNATIONAL ORGANIZATIONS

This publication is prepared for regional specialists in the Washington community by the Western Europe Division, Office of Current Intelligence, with occasional contributions from other offices within the Directorate of Intelligence. Comments and queries are welcome. They should be directed to the authors of the individual articles.

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Bonn Denies Defiance of EC Rules

Bonn will implement an anti-pollution law that has caused controversy within the EC, but is probably not prepared to defy the Community's court if it should rule that Germany is in conflict with EC free trade principles.

The Commission has criticized the law, which sets standards for the lead content of gasoline, but has been wary of taking the case to the European Court because it did not want to provoke German defiance of a court finding.

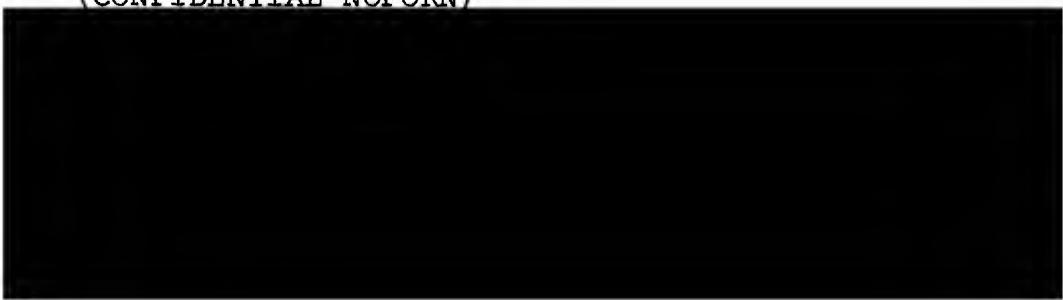
The Germans are arguing that the Commission would not have a good case, since the German law applies to German as well as foreign refiners and was passed in 1971, well before the EC made proposals on community gasoline standards.

Should a ruling nevertheless go against Germany, Bonn would revise the law, according to an Economics Ministry official, presumably rather than set a precedent by resisting a court decision.
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Icelandic-British Fish Talks Stall

1 | The second round of negotiations between Iceland and Britain on a new fishing agreement ended in a stalemate on November 17, and no further talks have been scheduled.

2 | 3 | The two sides tried first to resolve their differences over the size of the allowable catch. In the talks last weekend, Iceland offered officially for the first time to raise the limit of the annual catch from 50,000 to 65,000 tons. The UK, however, proposed only to reduce its catch to 110,000 tons from the 130,000 tons allowed under the two-year agreement that expired on November 13. Following secret talks earlier last week, an Icelandic official appeared hopeful that the British might accept a limit of 80,000 tons, but his superiors later rejected this figure as too large.

1 | 3 | The Icelandic coast guard reportedly will only gradually enforce the nation's unilaterally declared 200-mile fishing limit. Icelandic authorities estimated that about 50 British trawlers were fishing "illegally" as of November 14, and coast guard patrols ordered many out of the area. The first incidents since the expiration of the old pact occurred on November 15, when patrol boats cut the lines of two trawlers fishing within the old 50-mile limit.

2 | There is strong opposition within Iceland to any conciliatory moves by the coalition to permit foreign fishermen to operate within the 50-mile limit--which includes the richest fishing grounds. Two editorials last week in the official organ of the Prime Minister's own party, however, began to try to prepare the public for a compromise in the

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negotiations with the UK, West Germany, and others. The editorials noted that Iceland lacks the strength to enforce its claims, and argued that experience had demonstrated that more was to be gained through bargaining than by intransigence. (CONFIDENTIAL NOFORN)

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Canada Reportedly Decides to Maintain NATO Forces at Current Levels

2 | The Canadian cabinet's powerful committee on priorities has decided to maintain Canada's land and air contingents in Europe at their current levels, according to well-informed press sources.

1-2 | The cabinet committee's decision, made on November 12, is tantamount to full cabinet approval, since it is chaired by the prime minister and includes such key ministers such as Finance Minister Macdonald and External Affairs Minister MacEachen.

2 | In addition, the committee reportedly gave conditional approval for the purchase of long-range patrol aircraft to fulfill Canada's commitment to NATO's North Atlantic defense forces. Serious consideration was also given to replacing the European land contingent's obsolete Centurion tanks with the German Mark I Leopard. Final selection of the long-range patrol aircraft and the new tanks will be decided later.

1 | Replacement of the air contingent's old CF-104 fighters is likely to be postponed. The US embassy reports rumors in Ottawa defense circles that CF-5 aircraft now stored in Canada would be assigned to Europe as a stop-gap measure.

3 | These reported decisions affecting defense appear to be Ottawa's only way out of the dilemma it faces as a result of the Trudeau government's efforts to cut spending--in order to win popular support for its economic control program--while at the same time meeting its commitments to US and NATO leaders on

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maintaining Canadian support of the Alliance. The government apparently believes that these conflicting demands can best be satisfied by maintaining Canadian land and air forces in Europe at their current strength while stretching out the modernization of these forces. (CONFIDENTIAL NOFORN) | 3

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Labor Problems in the Low Countries

Belgian Prime Minister Tindemans has developed a complex, but promising, formula to resolve differences between unions and employers over wages and employment practices. Although not without opposition, the plan stands a good chance of acceptance, despite its inflationary nature. | 3

The plan integrates some demands by both sides. The proposal calls for deferring all wage increases except for cost-of-living for nine months. It also proposes limited early retirement and the formation of solidarity funds to support such retirement. Complex formulas for limiting company profits, collective bargaining, and other aspects of the labor problem also are spelled out. Even young people just entering the job market will be protected by a requirement that medium to large businesses will be required to hire one employee under 30 for every 100 workers currently employed.

Although Belgian trade union organizations have deferred a decision on the plan, their answer could come before the end of the month; with luck, Tindemans might get approval for the nine-month venture before parliament goes on Christmas recess. If the plan is accepted and approved, Tindemans' labor problems should recede for about a year. Its affect on Belgium's galloping inflation--currently 11.5 percent--will, of course, be counterproductive, as no diminution of incomes will result.

While the Belgians seem to have found the key to their labor troubles, the Dutch have reached an impasse in their wage negotiations. Talks between | 3

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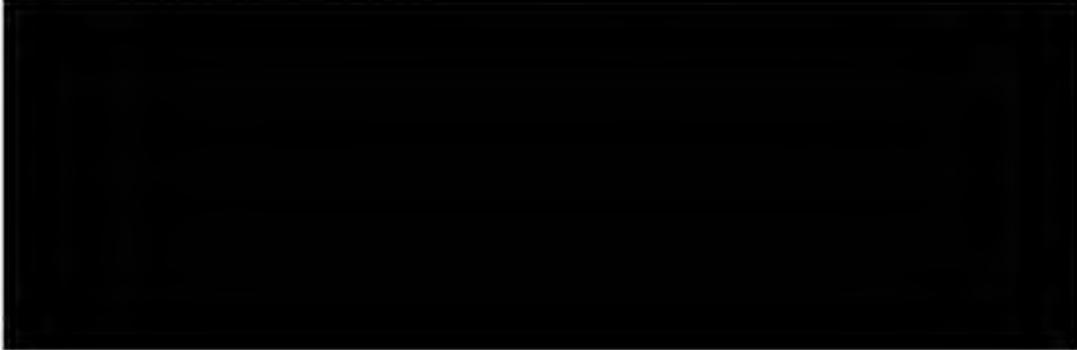
3 | Dutch unions and employers broke down last Friday and both sides have refused to budge. Prime Minister den Uyl has said that he will dictate next year's wage increases if the sides do not agree, but the government currently is working to re-start the talks.

2 | Employers want wage increases to be held at around 8.5 percent, ruling out annual adjustments for price increases in July. In addition, they want a multi-year contract rather than the current system that calls for new talks whenever market conditions change. The unions want to retain periodic adjustments in order to protect workers with incomes of less than \$10,000. Furthermore, labor rejects the idea of a multi-year contract.

2 | If the government intercedes, it probably will support labor. Den Uyl rejects the notion that rising labor costs are endangering investment, despite warnings by his Finance Minister to the contrary.

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Reactions to Zionism Resolution

Reaction against the resolution passed last week by the UNGA equating Zionism with racism has been especially strong in Western Europe and Canada, although unofficial opinion in Brazil, for example, has also condemned the government's approval of the resolution. Few countries, however, have indicated that they are prepared to take any concrete actions against the UN because of the vote.

The biggest casualty is likely to be the African-sponsored UN "decade against racial discrimination" and the anti-racism conference planned for 1978 in Ghana. The Dutch have already withdrawn their financial support from the anti-racism program and other Western Europeans are likely to follow suit when the implications of enforcing the anti-Zionist resolution are better understood. In a vote Friday in a subsidiary committee of the General Assembly, the US, EC-Nine and a number of other countries abstained on an economic resolution that contained a reference to the UN racial discrimination campaign because of the racism-Zionism linkage.

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Principally in Western Europe and Canada, the press and government officials have tended to deplore the UN action for the immorality and injustice of its equation of racism and Zionism. For the Europeans, the vote has raised questions about the fidelity of the UN to its founding principles and has undermined the organization's credentials as a mediator in global political debates.

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Those countries that voted for the resolution have justified their support more as a pro-Palestinian than an anti-Israeli action and have denied any anti-Semitic intention. The majority of Third World states do not view the resolution's passage as a moral issue; those states that do have been quick to condemn what they consider to be the West's "selective morality," which focuses on morality only when the national interests of Western nations are not involved. (CONFIDENTIAL)

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West German Leaders' Visit to USSR Long on
Atmospherics, Short on Substance

West German officials describe the visit by President Scheel and Foreign Minister Genscher to the Soviet Union last week as a "modest success" for both sides.

Neither Bonn nor Moscow anticipated any substantive breakthroughs, and in fact little progress was made toward resolving outstanding bilateral issues. The West Germans appear content that no controversies arose and that the Soviets were friendly and relaxed throughout.

The highlight of the visit was a meeting on November 11 between Soviet party leader Brezhnev and the two West German officials. Brezhnev told them that the 25th Soviet party congress in February will confirm that Moscow intends to continue to pursue detente. This is the first time that Brezhnev has given such an assurance. His remarks were clearly meant to quiet speculation that major changes in Soviet foreign policy will come out of the party congress.

The two sides discussed bilateral problems, particularly those concerning West Berlin's inclusion in three pending agreements, but did not resolve their differences. Bonn had taken care beforehand not to raise hopes that marked progress would be made toward solving outstanding problems. On his return from the Soviet Union, Scheel stressed that West German-Soviet relations must be viewed from the long rather than the short term prospective.

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1,2 | Scheel raised the topic of implementing the understandings reached at the summit of the European security conference, particularly those involving such humanitarian measures as reuniting divided families. Pravda did not publish Scheel's public comments on this issue, but neither did the Soviets publicly rebut Scheel, in contrast to their handling of similar remarks by French President Giscard during his visit in October.

1,2 | The Soviets took the initiative and launched an extensive discussion of the Middle East. Podgorny reportedly said that Moscow is not opposed in principle to partial steps toward resolving problems, but expressed the fear that Syria and Egypt would become impatient and that this might lead to renewed conflict. The Soviets requested the West Germans to permit the Palestine Liberation Organization to open an office in Bonn, but the West Germans refused.

1,2 | The West Germans found Gromyko interested in discussing international economic problems and the relationship between the developed and underdeveloped countries. In response to Genscher's appeal for Soviet cooperation in discussing aid to the third world, Gromyko said that while Moscow views things differently, it is willing to discuss the issues involved. (CONFIDENTIAL)

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